

Low-Carbon Transition Plan

Accelerating A Better Tomorrow™



About BAT

BAT is a leading consumer goods business: global, consumer-centric and multi-category. Our purpose is clear: to build A Better Tomorrow™ for all our stakeholders by reducing the health impact of our business, as well as by reducing our environmental and social impacts. This purpose is core to our future.



About Our Low-Carbon Transition Plan

Our Low-Carbon Transition Plan details how we intend to:

- Align our business model with a world in which the rise in global average temperature should be limited to no more than 1.5°C above pre-industrial levels.
- Contribute to a thriving economy that works for people and the planet in the long term.

In preparing this report and its contents, we referenced the [CDP Technical Note: Reporting on Transition Plans](#) and Task Force on Climate-Related Disclosures. For a full list of definitions of terms and processes outlined in this document please refer to Appendix.

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Our Sustainability Reporting

This report forms part of our wider suite of corporate publications that may be of interest and are available from www.bat.com/reporting.

- [ESG Report 2021](#)
- [Annual Report and Form 20-F 2021](#)
(See pages 58-67 for our Task Force on Climate-related Financial Disclosures Reporting)
- [2022 CDP Submissions](#)
- [Previous reports](#)

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“ We continue to embed sustainability in every aspect of our business. ”

–Kingsley Wheaton
Chief Growth Officer



“ We have a responsibility to our planet as a global organisation. ”

–Zafar Khan
Director, Operations

A Message from Kingsley and Zafar

A Commitment to Making a Meaningful Impact

Dear Stakeholders,

As we work to transform our business and build A Better Tomorrow™, environmental, social and governance (ESG) remains front and centre of all we do. The principal focus of our Sustainability Agenda is reducing the health impact of our business; however, our ambitions have always been broader. A Better Tomorrow™ will not be possible without addressing one of the most serious environmental challenges in our history: climate change.

We rely on natural resources to run our business. Our ability to secure these resources is directly linked to the effects of climate change and, as a global organisation, we have a responsibility to our planet. Minimising impacts across our operations and supply chain is simply the right thing to do and makes sound business sense.

Society must transition to a low-carbon economy. This will require real and immediate commitment and action from governments, businesses and individuals. Extreme weather events and other effects of climate change will only be felt more strongly in the years ahead. In this context, BAT has established targets to reach carbon neutrality by 2030 for our operations and, by 2050 at the latest, to be net zero across our value chain.

We are delighted that our 2030 emissions reduction target has been verified by the SBTi, a leading global body working alongside companies around the world to help tackle climate change.

We continue to embed sustainability in every aspect of our business, from energy use to packaging design, and we would like to acknowledge the hard work being done by colleagues across BAT and our suppliers to that end. We are proud of our commitments as a purpose-driven company working to build A Better Tomorrow™.

We invite you to read more about how we plan to achieve our climate goals through this Low-Carbon Transition Plan. By driving and supporting environmental excellence inside and outside our business, **we will help create a greener tomorrow.**

Kingsley Wheaton
Chief Growth Officer

Zafar Khan
Director, Operations

Acknowledging Our Progress

Our Sustainability Recognition

We were proud to receive these honors in recognition of our commitment to and performance in sustainability and climate change mitigation.



The **highest gold class** in the S&P Global Sustainability Yearbook 2021.



Named to the **Dow Jones Sustainability Indices** for a 20th consecutive year in 2021 and the only tobacco company to be included in the prestigious **DJSI World Index**.



Named as a **2022 climate leader** by the *Financial Times* in the top 400 of 4,000 companies across Europe.



CDP A- for Climate Change and Water security in 2021.



A BETTER **TOMORROW™**

Our Management Approach to Climate

**Protecting the resources
that power our business**





An Introduction from Our Chief Sustainability Officer

It is clear that the evolution of sustainability and ESG has shifted gear in recent years. Regulations and external expectations have substantially broadened and deepened, not least because of the climate challenge that the world faces.

We know that we cannot solve this challenge alone. As a business, what we can do is focus our efforts and resources to ensure that we fully integrate sustainability into our decision making. We know there is always more to do.

Having been appointed as BAT's first Chief Sustainability Officer in August 2022, I know that I will be building on strong foundations. Since we published our first Social Report in 2001, we became the first tobacco company listed in the Dow Jones Sustainability Indices in 2002 and signed up to the UN-backed Race to Zero global campaign in 2021.

Added to this are the ambitious targets that we have set ourselves. These include becoming carbon neutral in our

Scopes 1 and 2 operations by 2030 and net zero across our value chain by 2050 at the latest.

Our commitment to A Better Tomorrow™ is as much about reducing our environmental and social impacts as it is about reducing the health impact of our business by offering a range of alternative products.


This Low-Carbon Transition Plan is part of that commitment and details how we intend to contribute to a thriving economy that works for people and planet in the long term.

Mike Nightingale,
Chief Sustainability Officer

Our business depends on natural resources that are directly impacted by the effects of climate change.

The [Intergovernmental Panel on Climate Change \(IPCC\) Sixth Assessment Report](#), published in 2021, states that changes in the earth's climate are now seen in every region across the globe. Climate risks are becoming increasingly complex, with potential impacts on crop yields and disruptions to distribution networks and the livelihood of communities. Addressing climate risks and opportunities across our value chain is vital to the sustainability of our business.

Our most recent sustainability materiality analysis identified climate change as a critical focus area - one that is not only important to our stakeholders but can have an impact on our business. We explain our approach to managing our impact on climate change and increasing business resilience in this report.

 See the Task Force on Climate-related Financial Disclosures (TCFD) Reporting section (pages 58-67) of our [BAT Annual Report and Form 20-F 2021](#) and our most recent CDP Climate Change submission for details on the outcomes of our scenario analysis, risk management and climate governance.

Identifying Climate-related Risks & Opportunities

To fully understand the risks and opportunities associated with climate change, we analysed the resilience of our business against **two potential climate scenarios** and **three time horizons**.

Scenario 1: Sustainable Transition

Warming 1.5°C

- Early decisive action by society to reduce global emissions
- Coordinated policy action towards low-carbon economy
- Actions sufficient to limit global warming to 1.5°C in line with the long-term temperature goal of the Paris Agreement

Scenario 2: Climate Inaction

Warming >3°C

- Governments fail to introduce further policies to address climate change beyond those already known and in place
- Global temperature increase above 3°C by 2050

Greater transition risk

Greater physical risk



Through the scenario analysis, we identified **three climate-related opportunity areas** and **eight climate-related threats**, which span transitional and physical risks in nature.

| Type | Scenario | Level of likelihood/impact by | | | |
|--|---|-------------------------------|------------|------------|---|
| | | 2020 -2025 | 2026 -2035 | 2036 -2050 | |
| Opportunities | | | | | |
| Products & services | Increased revenues due to shift in consumer preferences resulting in access to new and emerging markets and increased demands for our products* | 1.5°C | ● | ● | ● |
| | | >3 - 4°C | ● | ● | ● |
| Energy sourcing | Reduced costs due to use of lower-emission sources of energy within our direct operations* | 1.5°C | ● | ● | ● |
| | | >3 - 4°C | ● | ● | ● |
| Resource efficiency | Reduced costs due to use of more efficient production and distribution processes | 1.5°C | ● | ● | ● |
| | | >3°C | ● | ● | ● |
| Transition Risks | | | | | |
| Emerging regulation | Increased costs due to new carbon pricing mechanisms on the emissions within our value chain | 1.5°C | ● | ● | ● |
| | | >3 - 4°C | ● | ● | ● |
| | Increased costs due to mandates on and regulation of products and services* | 1.5°C | ● | ● | ● |
| | | >3 - 4°C | ● | ● | ● |
| Market | Increased costs due to contraction of insurance markets, higher premiums or losses arising from uninsured assets | 1.5°C | ● | ● | ● |
| | | >3 - 4°C | ● | ● | ● |
| | Increased costs due to increasing energy prices impacting direct operating costs as well as the cost of raw materials* | 1.5°C | ● | ● | ● |
| | | >3 - 4°C | ● | ● | ● |
| Increased costs and/or reduced access to capital markets due to climate change-driven increases to operating costs and ESG concerns from investors | 1.5°C | ● | ● | ● | |
| | >3 - 4°C | ● | ● | ● | |
| Physical Risks | | | | | |
| Acute | Decreased revenues due to increased severity and frequency of extreme weather events such as cyclones and floods, leading to agricultural supply chain disruption and reduced production capacity | 1.5°C | ● | ● | ● |
| | | >3 - 4°C | ● | ● | ● |
| Chronic | Decreased revenues due to water stress leading to agricultural supply chain disruption and reduced production capacity* | 1.5°C | ● | ● | ● |
| | | >3 - 4°C | ● | ● | ● |
| | Decreased revenues due to changes in precipitation patterns and extreme variability in weather patterns leading to agricultural supply chain disruption and reduced production capacity* | 1.5°C | ● | ● | ● |
| | | >3 - 4°C | ● | ● | ● |

We update our scenario analysis and business plans regularly. By doing so, we remain resilient and ready to mitigate the impact of climate-related risks and take advantage of opportunities as they emerge.



*Advanced financial scenario modelling conducted.

Our Risk Management Process

Beyond climate scenario analysis, we identify and manage climate-related risks and opportunities through local and Group-level risk assessments. Locally, we perform risk assessments twice yearly across all BAT markets and connect these results to short- and medium-term business continuity plans.

At a Group level, we:

- Identify potential events that could adversely impact achievement of business objectives, including the failure to capitalise on opportunities. For example, we may identify risks and opportunities at our facilities to make them more resilient to climate change impacts by investing in building fabric and energy systems, reducing energy consumption and evaluating local regulation.
- Examine our value chain from leaf farmers to product end-of-life, transforming our portfolio in line with circular economy principles.
- Assess and evaluate the risk and/or opportunity to determine its impact on the relevant business strategy or objective and whether it is likely to occur. We use two scales that provide a total risk rating and help us prioritise. We evaluate 11 impact categories such as damage to supply chain risk and the environment.



At every level — end market, country, region and global — a multidisciplinary team is part of the risk mapping and assessment process. These teams include managers from Operations, Legal and External Affairs, and Commercial.

Climate Governance

Board Oversight

Our Board of Directors (Board) has oversight of our climate-related risks and opportunities. The Board approves all environmental targets, including our carbon emissions reduction targets, and receives an update on progress and performance twice a year from the Director, Operations. In 2021, the Board received a deep-dive ESG briefing covering our climate strategy, performance and approach to reporting in alignment with the TCFD framework.

The Audit Committee of the Board is responsible for reviewing the effectiveness of our risk management and internal control systems, which include those related to climate change.

Management's Role

Our Management Board (equivalent to an Executive Committee), chaired by the Chief Executive (CEO — also an Executive Director on the Board), has overall responsibility for overseeing the implementation of Group strategy and policies, including those relating to climate change and climate-related issues.

Members of the Management Board are responsible for overseeing delivery against ESG targets for areas under their individual remit. The Director, Operations, is a member of the Management Board reporting directly into the CEO. The Director, Operations, has overall responsibility for delivery of the Group's climate strategy and environmental targets, including climate-related risks and opportunities.

Continued ►

The Board is updated on climate-related issues quarterly. This consists of 1) a biannual progress report by the Director, Operations on climate strategy and environmental targets; 2) an annual review of the risk register including climate-related risks, review and approval of the Annual Report, Form 20-F and ESG report which include our climate-related performance for the year; 3) and additional focused updates. For example, in 2021, the Board received a deep-dive ESG briefing covering our climate strategy, performance and approach to reporting in alignment with the TCFD framework.

The Director, Operations receives updates on progress on climate-related strategy and targets through the Operations Sustainability Forum that meets four to six times a year and is supported by the Group Head of Operations Development and Sustainability and functional teams. The Director, Operations also chairs the Environmental Sustainability Committee, meeting around six times a year to review environmental roadmaps, strategies, risks and opportunities, with updates provided to the Management Board.

The Management Board receives regular updates on material risks and strategic plans, including those relating to climate change, along with associated risk mitigation plans. This includes regular monitoring by the Group Risk Management Committee, chaired by the Finance & Transformation Director.

Board of Directors

- Six scheduled meetings per year
- Responsible for the long-term sustainable success of the Company and for the Group's strategic direction, purpose, values and governance – including climate strategy

Audit Committee

- Five scheduled meetings per year
- All members are independent, Non-Executive Directors
- Monitors and reviews the effectiveness of the Group's accounting, internal accounting controls, auditing matters and business risk system



Board oversight

Management Board

- Meets at least seven times per year
- Chaired by the Chief Executive and comprised of the Executive Directors and 11 senior Group executives
- Responsible for overseeing the implementation of Group strategy, policies and monitoring Group operating performance, including in relation to climate and the environment

Group Risk Management Committee

- Meets twice per year
- Chaired by the Finance and Transformation Director and composed of senior leadership
- Oversees assessment and monitoring of risks to the Group

Corporate Audit Committee (CAC) and Regional Audit & CSR Committees (RACCs)

- Meet at least twice a year
- CAC chaired by a Regional Director and RACCs by an Executive Director of the Company – all are composed of Group executives
- Reviews the effectiveness of the accounting, internal control and business risk identification and management systems within the central business functions for the CAC and the regions for the RACCs

Shaping Sustainability Programme Board

- Meets twice per year
- Chaired by the Chief Growth Officer and composed of Management Board Directors and senior leadership
- Oversees the implementation of the Group's transformation programme and Sustainability Agenda



Management Board oversight

Environmental Sustainability Committee

- Meets around six times per year
- Chaired by the Director, Operations and composed of senior leadership
- Reviews environmental roadmaps, strategies, risks and opportunities

Operations Sustainability Forum

- Meets around six times per year
- Chaired by the Director, Operations and composed of senior leadership
- Reviews performance against environmental and social metrics and targets

Leaf Sustainability Forum

- Meets around four times per year
- Chaired by the Group Head of Leaf and composed of senior leadership
- Reviews strategic direction and targets for addressing ESG risks across the leaf supply chain and performance against leaf supply chain targets

Supply Chain Due Diligence Committee

- Meets around three times per year
- Chaired by the Group Head of Procurement and composed of senior leadership
- Reviews direct materials supply chain performance (excl. leaf) against environmental and social metrics and targets



Leadership team oversight

Group Sustainability Department

- Chief Sustainability Officer, Head of ESG and sustainability subject matter experts
- Develops the Group Sustainability Agenda and supports business functions, regions and markets in driving its implementation

Business Functions, Regions and Markets

- Implementation and execution of the Group Sustainability Agenda, including by Leadership Teams and cross-functional workstreams and programmes
- Tracking and monitoring performance



Management oversight

A BETTER TOMORROW™

Our Climate Goals

Tackling the climate crisis in
our operations and value chain



Bold Ambitions for the Future

At BAT, we began reporting on our carbon emissions in 2001 and set our first long-term carbon-related target in 2007. In 2019, we set carbon neutrality targets, covering our entire direct operations.

However, it is clear that limiting global warming to 1.5°C requires a greater coordinated effort to stay within carbon budgets and reduce absolute emissions.

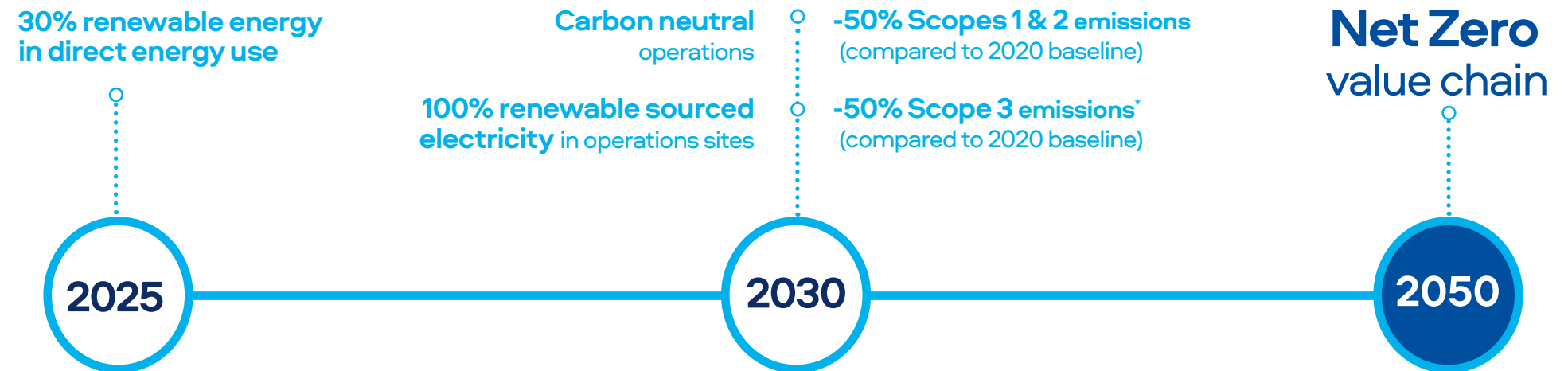
Our Science-Based Targets (SBTs), approved by the Science-Based Targets initiative (SBTi) in July 2022 are in line with a 1.5°C warming pathway. **We aim to:**

- Reduce absolute Scopes 1 and 2 GHG emissions 50% by 2030 from a 2020 base year;

- Reduce absolute Scope 3 GHG emissions from purchased goods and services, upstream transportation and distribution, use of sold products and end-of-life treatment of sold products 50% by 2030 from a 2020 base year;
- Have 20% of our suppliers by spend covering purchased goods and services adopt SBTs by 2025.

Our climate targets are supported by a range of commitments across energy, waste, water and biodiversity.

This Low-Carbon Transition Plan details the targets and actions that will enable us to achieve our climate goals.



*Includes the following categories: purchased goods and services, upstream transportation and distribution, use of sold products, and end-of-life treatment of sold products

Joining the ‘Race to Zero’

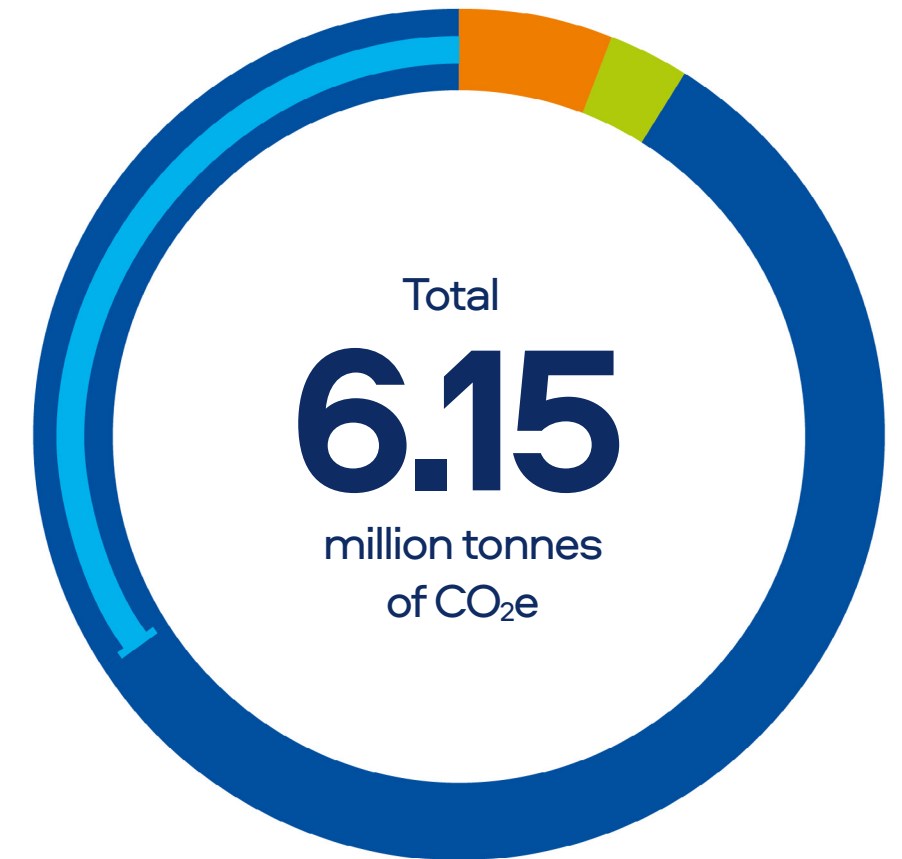
In 2021, we joined the UN-backed [Race to Zero Campaign](#) and the [Science-Based Targets Business Ambition for 1.5°C](#), an alliance to halve global emissions by 2030 and achieve net zero carbon emissions by 2050.

Race to Zero represents more than 1,000 cities, 5,000 businesses, 400 investors and 1,000 higher education institutions estimated to cover nearly 25% global CO₂e emissions and more than 50% of global GDP.

Previously, our targets were SBTi approved based on a 2°C trajectory. The latest climate science shows we need to limit the rise in average global temperatures to 1.5°C above pre-industrial levels. As such, **we have set 1.5°C-aligned, absolute reduction targets that accommodate net zero criteria and definitions**, which were approved by the SBTi in July 2022.

Breakdown of BAT’s GHG Emissions*

| | | |
|---|-------------------------------|------------|
| Scope 1: Excluding biogenic | 0.34m tCO₂e | 6% |
| Scope 2: Market-based | 0.20m tCO₂e | 3% |
| Scope 3:† | 3.50m tCO₂e | 57% |
| Scope 3: Biogenic (Including removals) | 2.11m tCO₂e | 34% |



- Scope 1: Excluding biogenic
- Scope 2: Market-Based
- Scope 3
- Scope 3: Biogenic (including removals)

*All emissions figures are 2020 and subject to rounding.

†As part of our 1.5°C Science-Based Targets approval process we have added Scope 3 Category 9 (Downstream Transportation and Distribution) to our 2020 baseline.



Our Path to Net Zero by 2050

Our Climate Goals

 **30% renewable energy** in direct energy use

 **20% of suppliers¹ set Science-Based Targets by 2025**

 **100% renewable sourced electricity** in operations sites by 2030

 **Carbon neutral in Scopes 1 and 2 operations** by 2030

 **-50% Scopes 1 & 2 emissions** by 2030

 **-50% Scope 3 emissions** by 2030²

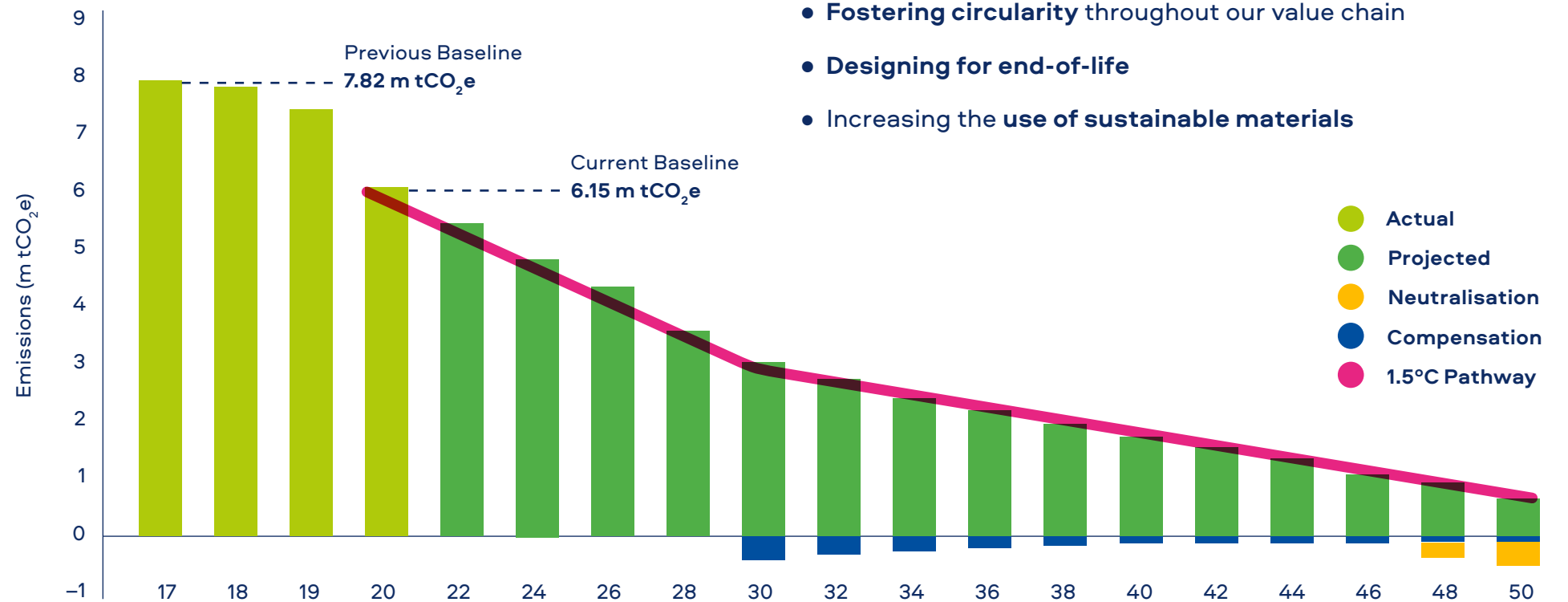
 **Net Zero value chain by 2050**

How we will reduce Scopes 1 & 2 Emissions

- Creating **site-specific decarbonisation roadmaps** and **investing in energy efficient projects** and **management systems**
- **Increasing renewable energy use** by entering into longer-term power purchase agreements and investing in **on site renewable energy** generation projects
- Rolling-out **electric and hybrid vehicles** in our fleet

How we will reduce Scope 3 Emissions

- Building a **climate-resilient supply chain** partnership with direct and indirect suppliers
- **Innovating** with our direct materials suppliers
- Collaborating with tobacco leaf farmers through **carbon-smart farming**
- **Eliminating the use of coal for curing and using sustainable curing fuels** aligned with no gross deforestation
- **Fostering circularity** throughout our value chain
- **Designing for end-of-life**
- Increasing the **use of sustainable materials**



Note: Figures include biogenic emissions and removals and subject to rounding.

¹Covers purchased goods and services by spend.

²Includes the following categories: purchased goods and services, upstream transportation and distribution, use of sold products and end-of-life treatment of sold products.

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How We Will Achieve Our Goals

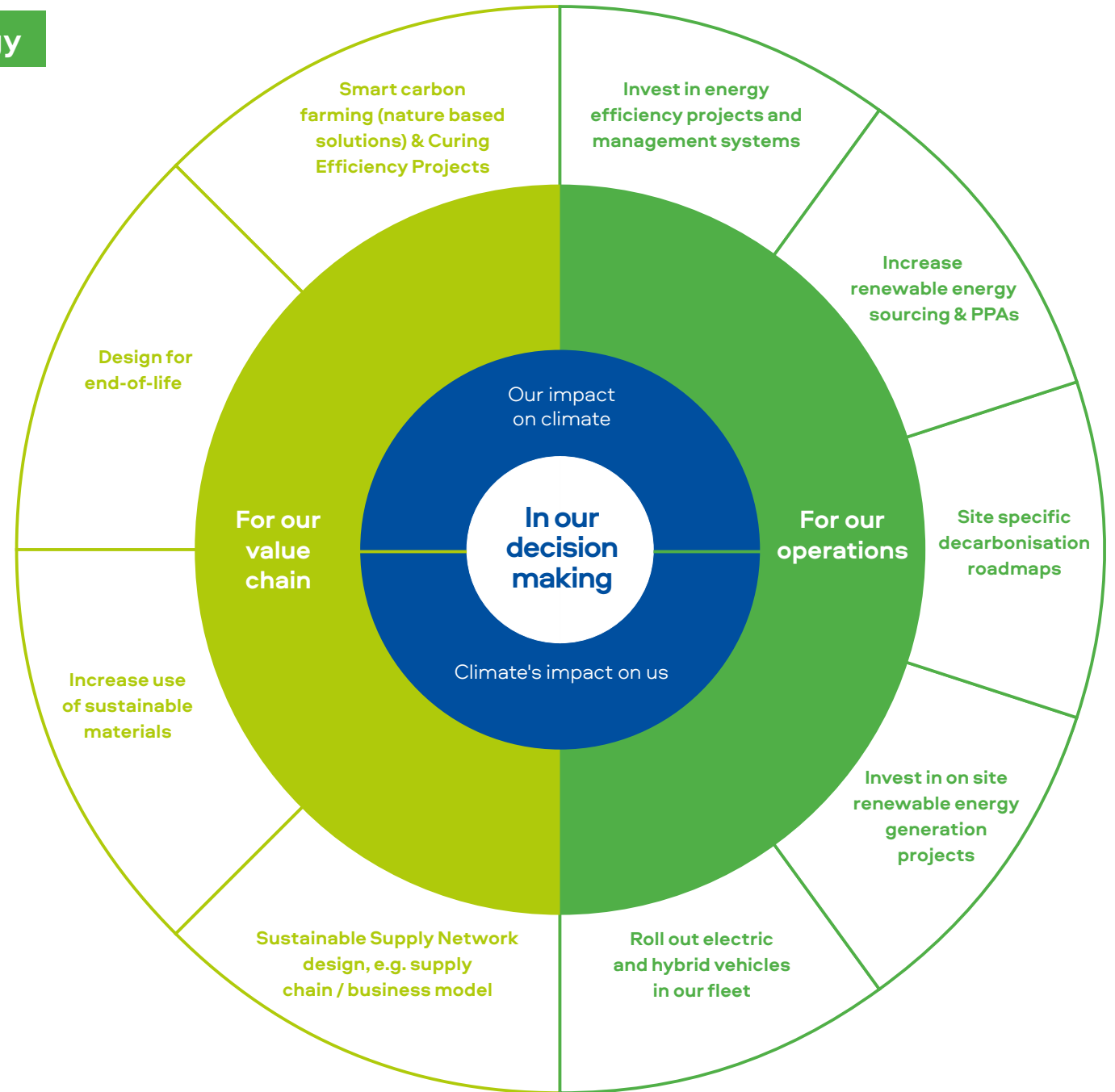
Detailing our roadmap
to net zero emissions





Our Low-Carbon Strategy

To deliver on our ambitious climate goals, we have an integrated climate strategy covering both our own business operations and our wider value chain.



Scopes 1 and 2: Our Decarbonisation Framework

In 2020, Scopes 1 and 2 emissions represented 9% of our total carbon footprint and the area where we have the most direct control. Our internal Climate Change and Energy Standard provides guidance on decarbonisation and seeks consistency in the way climate-related initiatives are implemented across all our facilities and working environments.

We aspire to achieve carbon neutral operations (Scopes 1 and 2) by 2030 through the following actions:



Creation of site-specific decarbonisation roadmaps and investment in energy-efficient projects and management systems



Increase in renewable energy sourcing by entering into longer-term power purchase agreements and investing in on site renewable energy generation projects



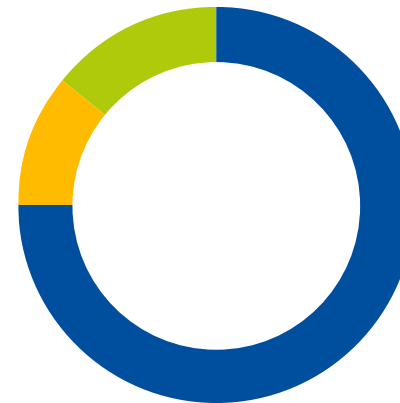
Roll out of electric and hybrid vehicles in our fleet



We are also implementing **financial planning tools** into our decarbonisation process. Learn more on **page 18**.

Breakdown of Scopes 1 and 2 Emissions by Operations, Offices and Fleet (tCO₂e)*

| | |
|--|-----|
| ● Manufacturing Facilities | 75% |
| ● Fleet | 11% |
| ● Commercial Sites | 14% |



Energy-efficient Projects and Management Systems

Efficiency is at the heart of our decarbonisation framework. We aim to be more efficient not only within our buildings, utilities and production equipment, but also in the ways we work.

Each of our manufacturing facilities[†] has a detailed decarbonisation roadmap to clearly demonstrate its contribution to and the actions needed to reach our carbon neutrality target by 2030. The Operations Sustainability team operates as a Centre of Excellence for Scopes 1 and 2, collaborating with Regional Engineering teams, Group Heads of Manufacturing Technology, and Local and Regional Operations directors to provide insights, technologies and best practices to drive energy-efficiency programmes and emissions reductions. We also engage with higher education institutions to explore new technologies that we could potentially introduce across our infrastructure. For example, we are exploring the energy benefits of using a heat collector dish, currently being created at a university in South Korea.

*2021 figures for Scopes 1 and 2 breakdown.

[†]Manufacturing facilities refer to both factories and green leaf threshing sites.

[‡]BAT carbon neutral site must adhere to internationally recognised standards / carbon neutrality demonstrations methodologies such as PAS 2060 standard. Carbon neutral sites purchase high-quality carbon offsets to neutralise residual emissions for which immediate plans do not offer financially viable and/or real emission reductions.



All manufacturing facilities have decarbonisation glidepaths in place, supported by the global Centre of Excellence and consolidated in a global repository that accelerates reapplication. In 2021, **we implemented more than 70 initiatives** that resulted in the **reduction of nearly 19,000 tCO₂e emissions**. This is equivalent to **3.4% of our 2020 baseline**. The projects included establishing smart energy management systems that optimise consumption through artificial intelligence; upgrading and replacing heating, lighting, and air conditioning systems; installing solar heating, cooling and PV equipment; and replacing boilers with less polluting alternatives such as biomass.

We also have a daily energy consumption optimisation process to help us manage our energy and water resources in the most efficient manner. This includes establishing alarms and resource supervision in case of major leaks, breaks and/or faults; regularly comparing production output to benchmarks; and optimising individual pieces of equipment.

Increasing Renewable Energy Sourcing

We will continue procuring renewable energy where available and investing in on site solutions such as solar panels, biomass and other alternative fuels. We are exploring opportunities to purchase renewable electricity through energy attribute certificates under national (e.g., GoO, REC) and international (e.g., I-REC, TIGR) schemes and green tariffs.



Tackling Scope 1 emissions

More than 70% of our factories' Scope 1 emissions are related to boilers. This presents an opportunity to prioritise replacing boilers with greener options like biomass and electric at:


1. Our top-emitting sites
2. Sites where boilers will soon be obsolete

The boiler replacement plan is in motion with five approved for 2022/23. The next steps will be based on local feasibility, including fuel costs, access to technology and supply chain capacity.

We are actively exploring corporate Power Purchase Agreements (PPAs), both utility-sleeved and virtual, to bring scale and even greater impact to our renewable electricity portfolio. In 2021, we expanded renewable electricity purchases, for example, in Argentina, Jordan, Sri Lanka and the U.S. **This resulted in a reduction of 16,000 tCO₂e.**

By the end of 2021:

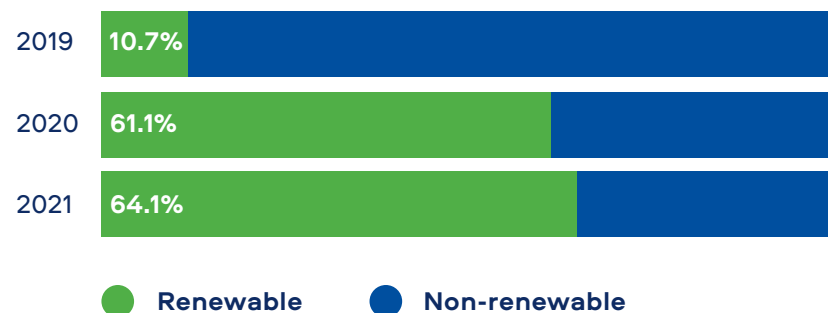
 **32** of our operational sites were sourcing **100% renewable electricity.**

 **19** sites were **generating renewable energy onsite**, with additional generation coming online in Pakistan, Indonesia, Germany and South Korea over the course of 2021.

By July 2022:

 **18** sites were **carbon neutral.**

Purchased Renewable Electricity in Operations



Transitioning to an Electric and Hybrid Fleet

In 2021, our vehicle fleet accounted for approximately 11% of our Scopes 1 and 2 emissions. To supplement our Climate Change and Energy Standard, our Green Mobility Standard outlines our strategy to reduce the environmental impact of our fleet. We are collaborating and innovating with our fleet partners to transition to battery electric, plug-in hybrid and self-charging hybrid vehicles.

To date, we have procured hybrid vehicles in Australia, Germany, Italy, Malaysia, Mexico, Sweden and Turkey. Additionally, in Brazil, Argentina, U.S., Croatia, Germany, Italy, Netherlands and Belgium, we use fuels with high biofuel content.

We also are raising awareness among our workforce and fleet operatives. We run route optimisation processes and encourage our employees to reduce their number of trips, reducing fuel consumption and emissions.

We also educate and share information with our employees through telematic systems in their vehicles. These systems help alert drivers and the company to improvements in driving that enhance driver safety and fuel efficiency, which can lead to reduced emissions.

↓ 30% **Between 2017 and 2021, we reduced our fleet emissions by 30%.**



Fleet Electrification at Reynolds American Inc.

At Reynolds American Inc., a U.S. subsidiary of BAT, the fleet transition to hybrid and electric vehicles is well underway. In 2022, Reynolds replaced approximately 650 internal combustable engine vehicles with hybrid and electric models. This puts Reynolds more than one-third of the way to achieving its goal to transition the entire 1,800+ vehicle trade and operations fleet to cleaner modes of transport.



650

internal combustable engine vehicles replaced with hybrid and electric models

Financial Planning in Decarbonisation

Financial planning is a critical part of our net zero strategy. That's why we use internal carbon pricing and an ESG scorecard as part of each investment case, and reserve a dedicated ESG capital investment budget to ensure we are making the right financial decisions with our climate goals in mind.

► Internal Carbon Pricing (ICP)

In line with our ambition to be carbon neutral by 2030, we introduced a shadow carbon price in 2020 to consider the carbon-intensity implications of our investment and acquisition decisions. Our internal carbon price is helping us change internal behaviour and prioritise capital expenditure allocation.

For all capital expenditure engineering proposals, carbon impact calculations must be conducted to ensure any impact on emissions is priced into cash flow projections and wider business decision making.

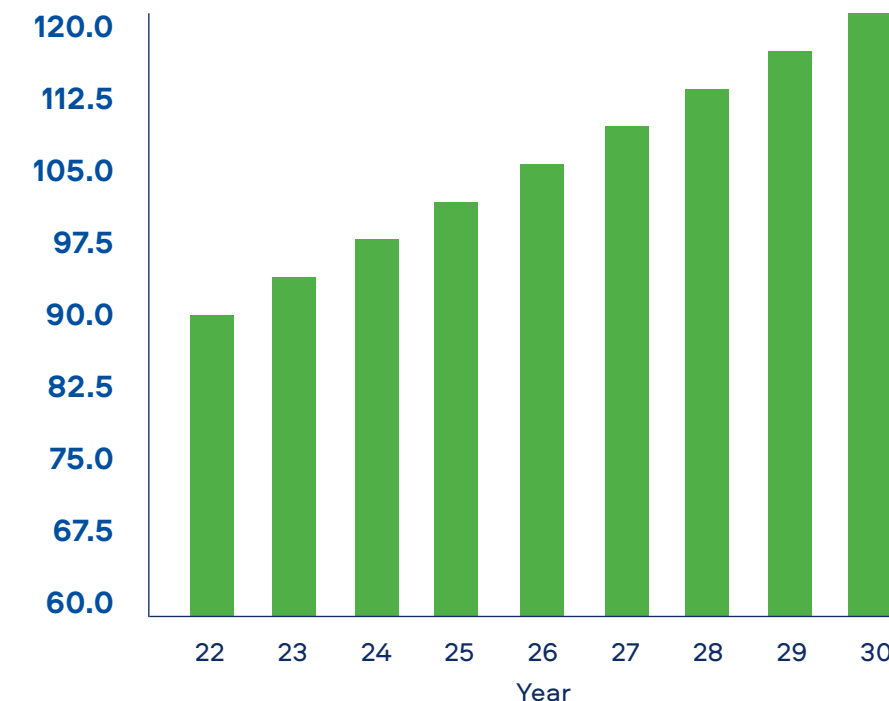
Applying an internal carbon price guarantees that the net present value of our business cases considers the costs of carbon offsets for emissions being generated. The ICP also helps prioritise sustainability projects that support our carbon emissions reduction goals.

In 2021, we converted our shadow carbon price into a glidepath, using a range of external sources* to ensure it reflects the best approximation to the potential external cost of carbon.

The price we apply is the same for all geographical regions and it covers engineering and product projects. Furthermore, every year we assess our glidepath in order to make sure it remains relevant.

Our Annual ICP Increases

ICP Glidepath GBP/tCO₂e



*Several sources are used to estimate ICP, including initiatives under UNCFF (International Emissions Trading, Joint Implementation and Clean Development Mechanism, New Approaches under Article 6 of the Paris Agreement), and outside of the UNFCCC, including the voluntary carbon market and Result-Based Climate Financing (RBCF).

ESG Scorecard

To further supplement internal carbon pricing, we have evolved our financial decision making to include an ESG scorecard. This is one way we are standardising how ESG is embedded into our business decisions. **The scorecard is designed to appraise investment cases to consider their impact across our broad environmental and social objectives.** It not only considers the emissions impact, but also the impact on water, waste and our social agenda.

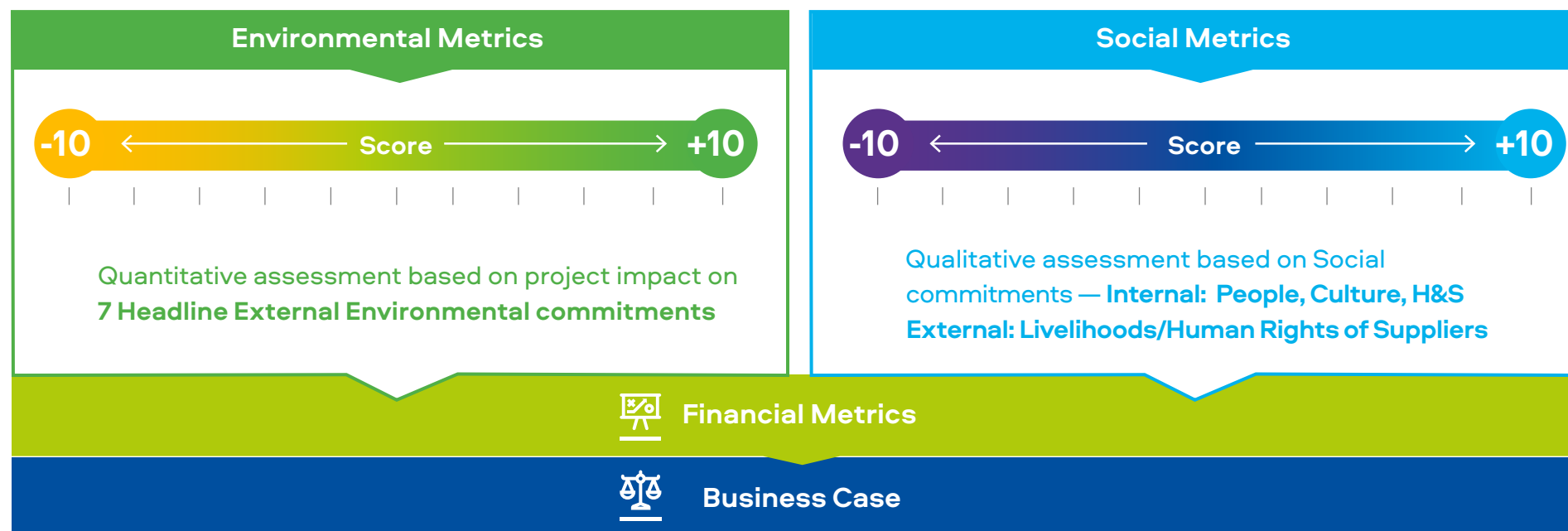
Each scorecard category is allocated a score based on its positive, negative or neutral impact against our ESG KPIs. The greater the negative impact, the lower the score, and vice versa for positive impacts. Environmental category scores result in a weighted average. **The environmental and social scores are incorporated into a project appraisal in the following ways:**

- The environmental and social scores are considered alongside project Net Present Value (NPV) and payback to drive visibility, awareness and balanced decision making.
- The environmental and social score is used to adjust the Weighted Average Cost of Capital used within the NPV and according to risk.
- Central oversight and approval of projects is based on their environmental and social scores.

The ESG scorecard is being tested across operations in 2022 before being rolled out across the organisation in 2023.



Our ESG Scorecard — incorporating Environmental and Social impact into our Business Case



Dedicated ESG Capital Investment Budget

We fund a dedicated ESG capital investment budget used to deliver on our ESG objectives and external commitments, including investment in projects that:

- Improve the efficiency of our factory infrastructure.
- Drive product innovation to improve our environmental credentials, such as increased use of recycled material and removal of single-use plastics.
- Enhance our social performance, such as farmer livelihoods via mechanisation, yield improvement projects and others.

While ESG is a factor in our financial decision making, this fund enables us to ring-fence funds dedicated to ESG activities.



Scope 3: Engaging with Our Value Chain

Scope 3 represents the majority of our total carbon footprint. To reach our interim target to reduce absolute Scope 3 emissions 50% by 2030 from a 2020 base year*, we are focusing our efforts on our most carbon-intensive categories first.



Upstream

Category 1: Purchased Goods and Services

- Building a climate resilient supply chain in partnership with direct and indirect suppliers
- Innovating with our direct materials suppliers
- Collaborating with tobacco leaf farmers through carbon-smart farming and curing efficiency projects
- Eliminating the use of coal for curing and use sustainable curing fuels aligned with no gross deforestation

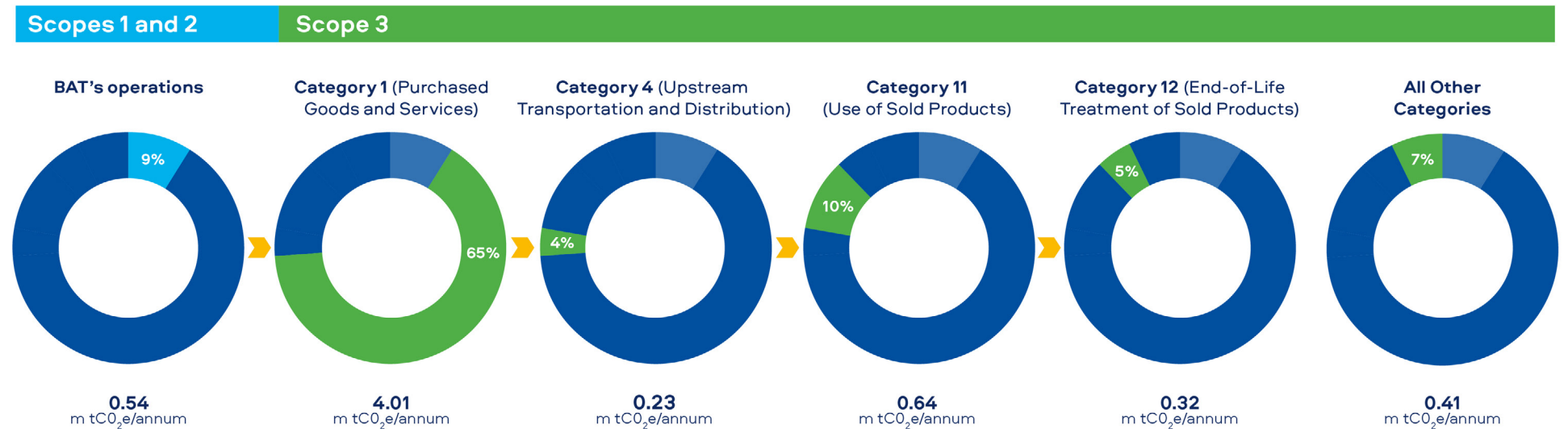


Downstream

Category 11: Use of Sold Products Category 12: End-of-life Treatment of Sold Products

- Fostering circularity throughout our value chain
- Increasing the use of sustainable materials
- Designing for end-of-life

Breakdown of our end-to-end emissions† — largest impacts in Categories 1, 11 and 12 (% contribution of total value chain emissions including biogenic emissions and removals)



Note: Figures are 2020 and include biogenic emissions and removals. All figures subject to rounding.

*Per SBTi guidance, our interim target covers at least 2/3 of our total Scope 3 emissions.

†We consider the following Scope 3 categories as immaterial to BAT's business: Category 8 (upstream leased assets), Category 10 (processing of sold products), Category 13 (downstream leased assets) and Category 15 (investments).



Moving from Air to Sea Freight

Category 4, upstream transportation and distribution, represents approximately 4% of our total carbon footprint, the 4th largest category of Scope 3 emissions behind Categories 1, 11 and 12. To reduce our Category 4 emissions, we are transitioning from air to sea freight as a more fuel-efficient mode of transport wherever possible.

Supply chain challenges have resulted in a necessary increase in our use of air freight in some cases. We are targeting to increase this to approximately 80% in 2022 and maximise usage as far as possible in 2023.

Building A Climate Resilient Supply Chain to Tackle Upstream Scope 3 Emissions

We have more than 30,000 direct and indirect suppliers globally. As well as tobacco, we source product materials like paper and filters for cigarettes. For our new category products, we have a growing supply chain in consumer electronics and e-liquids. We also have a vast number of suppliers of indirect goods and services that are not related to our products, such as for IT services and facilities management.

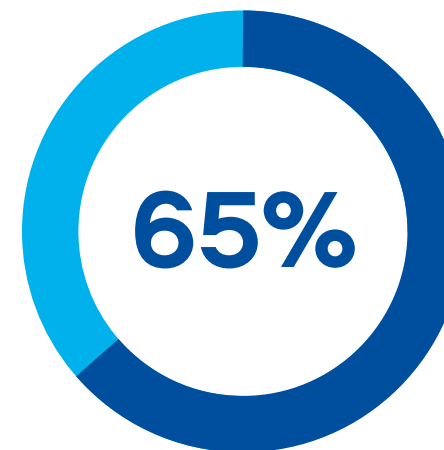
Our Supplier Code of Conduct outlines our minimum expectations for all suppliers, including specific elements related to environmental impacts and carbon reduction plans. When engaging new or existing suppliers, we deploy an ESG questionnaire that is weighted and included as part of our final selection and decision making process. We plan to refine the questionnaire and increase its weighting over the next few years.

To date we have focused our efforts on those suppliers with the greatest climate change impact — **we estimate more than 70% of our direct material emissions can be attributed to only 30 suppliers.**



By engaging these suppliers through data collection, information sharing, direct discussions and requests to participate in the CDP Supply Chain Programme, we believe we can achieve significant reductions.

Category 1: Purchased Goods & Services — 65% of Overall Emissions





In 2021, more than 70% of the suppliers we invited to participate responded to CDP, and this helped us to be recognised as a CDP Supplier Engagement Leader.

We continue to increase the number of suppliers we engage in CDP, extending an invite to nearly 220 direct and indirect suppliers in 2022 (up from 64 in 2021). In addition to the Supplier Code of Conduct and invitations to the CDP Supply Chain Programme, we are introducing a *Supplier Pledge* to our top 60 suppliers. The Pledge requests that suppliers engage in activities such as disclosing to CDP, monitoring and reducing GHG emissions, and establishing targets and action plans. We plan to deploy the Pledge on a wider scale in the future.

► **Innovating with our Direct Materials Suppliers**

In 2021, we engaged our top 30 emissions-contributing direct materials suppliers (excluding tobacco) to understand the maturity of their emissions data and decarbonisation programmes. This group represents 15% of Scope 3 emissions across more than 100 sites and around 70% of our spend for this part of our supply chain.




Our goal is to have 20% of suppliers covering purchased goods and services by spend set Science-Based Targets by 2025

Following the results of this assessment, we worked with each supplier to develop a climate action plan, in line with **the goal to have 20% of suppliers covering purchased goods and services by spend set Science-Based Targets by 2025**. The programme has been well-received by the suppliers involved, and we aim to involve additional suppliers in the future. Where needed, we are providing support, technical assistance and capacity building to help our suppliers set and achieve their climate goals.

To track progress, we began conducting environmental risk assessments and desktop audits on our wider direct materials suppliers in 2021. We designed a new risk assessment using independent environmental indices to measure the suppliers' risk to issues such as climate change, deforestation and water stress. For any suppliers identified as high-risk, we will conduct at least one independent environmental audit within a three-year cycle by 2025.

Our direct materials suppliers also play an instrumental role in helping us design new innovative and low-carbon intensive products. We source sustainable materials for use in adhesives, vapour devices and more.

 Our efforts in this space are further detailed in the next section, "**Fostering Circularity to Reduce Our Downstream Emissions,**" which begins on **page 27**.



A Better Tomorrow™, Together

In 2021, we launched the *A Better Tomorrow™, Together* programme with our supplier base. More than 250 of our key suppliers joined us to hear about the elements of our ESG agenda and the importance of collaboration.

The launch included live Q&A sessions presented by our Chief Marketing Officer, Group Operations Director, Group Head of Operations Sustainability and Group Head of Direct Procurement, followed by round table discussions on topics such as Race to Zero, Delivering Social Impact and the Plastics Challenge.



A key measure of success was to inform and educate suppliers on sustainability (including climate) expectations and how collaboration plays a key role — **95% of attendees stated they had a better understanding of BAT's sustainability agenda because of this event.**

► **Collaborating with Tobacco Leaf Farmers**

Approximately one-third of our Scope 3 emissions is in our tobacco supply chain, with the majority coming from fuels used to cure tobacco leaves. We source tobacco leaf for our products from more than 75,000 contracted farmers around the world and more than 250,000 third-party contracted farmers. **To reduce emissions, we have a range of initiatives covering farming practices including fertilisers and curing.**

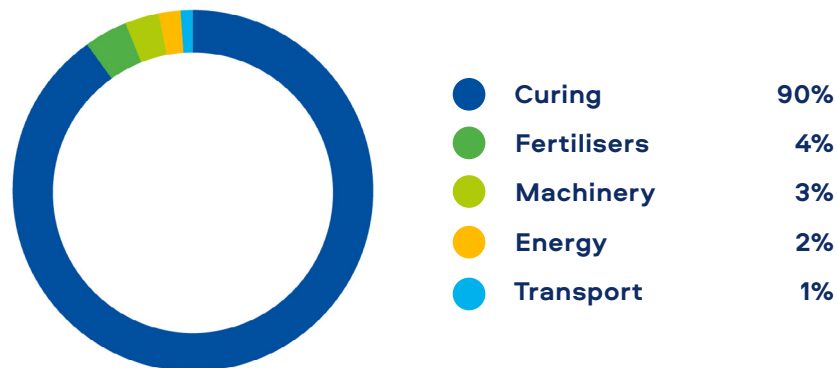
More than 80% of our annual leaf volumes are cured using renewable fuels and methods, such as sustainable wood*, biomass from agricultural by-products and sun curing. Examples of agricultural by-products include sugarcane bagasse briquettes in Kenya; jute sticks, rice husk briquettes and other agricultural waste in Bangladesh; rice paddy husks in Sri Lanka; and wood biomass pellets in India.

The combustion of biomass fuel in the curing process results in biogenic emissions, which is a priority for our decarbonisation efforts.

To address our emissions, we launched our **Curing 2.0** programme, where we've introduced 33,000 contracted farmers in four countries to innovative, fuel-efficient curing technologies. For example, farmers in Brazil and Sri Lanka tested new types of curing barns that enabled at least **a 30% reduction in biomass fuel use and 14% reduction in electricity use**. In Bangladesh and Pakistan, **farmers reduced fuel use by 15% in new types of barns compared to traditional models**. Both operations are aiming for 80% of contracted farmers to use curing barns adapted with new features by 2025.

We're also focused on eliminating the use of coal as a fuel for curing, which represents less than 10% of the tobacco volumes we purchase.

Breakdown of Leaf Emissions



*Sustainable wood sources are defined as: wood resources harvested legally from planted sources in such a way that does not cause any detrimental social, environmental or economic impact. This may include wood sourced from identified invasive exotic species that have not been planted; and wood sourced from existing legal plantations. This definition does not include conversion of natural forests to plantations to produce wood for tobacco curing. If the farmer cannot confirm the traceability of the wood back to a sustainable source, it is considered unsustainable.



Carbon-smart farming programme

Carbon-smart farming takes a strategic approach that is focused on both reducing emissions from tobacco farming **and** leveraging the positive effects agriculture could have in removing carbon from the atmosphere. Our goal with carbon-smart farming is carbon sequestration, which can be achieved through reforestation, conservation tillage and other methods that keep the soil covered and undisturbed to reduce the possibility of carbon escaping.

The methods used across the programme also have additional benefits, such as increasing water retention capacity, improving drainage and making the soil richer and more fertile. As a result, many farmers are seeing increased yields and better-quality crops.

We recognise that it is currently challenging to measure impact and quantify the amount of carbon being removed, compared to how much is emitted. This is one of the priority areas we are addressing.

In 2021, we conducted a detailed analysis to estimate removals from carbon-smart farming practices and compared ourselves against international methodologies such as those from the IPCC and GHG Protocol. We are now working in partnership with a specialist consultancy to validate the approach and to monitor, report and verify results. This will enable us to develop a system that can be applied by small farmers. It will also provide us with verified data to measure progress against our 2050 Net Zero ambition and to validate the impact of our carbon-smart farming programme.

Accountability within the Supply Chain

We require **100% of our tobacco suppliers to participate in the Sustainable Tobacco Programme (STP) and provide climate-related data**, such as the amount of curing fuels used to cure the tobacco leaves. This is complemented by our *Thrive* programme, which takes a holistic approach to identifying and addressing the long-term challenges that have an impact on the livelihoods of farmers across our tobacco supply chain.

Thrive applies to all our leaf operations and 75,000+ contracted farmers, as well as farmers contracted through our strategic third-party suppliers, representing more than 80% of our tobacco volumes in 2021. Through *Thrive*, we also request



data associated with CO₂e emissions, such as curing fuels volume, fuels and energy used in the farm, mileage covered to transport tobacco from the farms to the buying points and distance covered to distribute crop agricultural inputs.



Tobacco

Subject to the industry's Sustainable Tobacco Programme, supported by farm-level monitoring and, in selected countries, human rights impact assessments



Tobacco

58%

BAT leaf operations, contracting 75,000+ farmers



42%

third parties: sourcing from 250,000+ farmers

Our carbon-smart farming programme is currently underway in Brazil, Bangladesh, Mexico and Pakistan, with the United States to join soon. These countries represent our highest tobacco volumes when it comes to our in-house leaf operations. Learnings from these countries will help further develop and scale-up the programme as part of our wider climate strategy.

We are delighted that many of our best practices that promote sustainable agriculture techniques have been widely recognised.

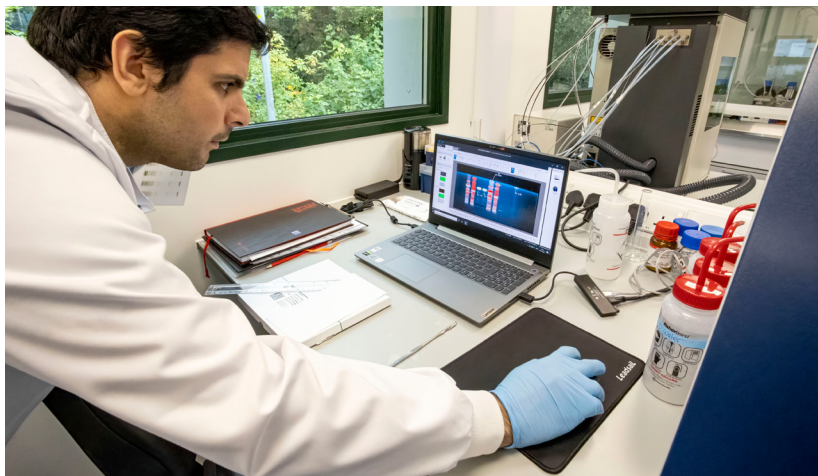
In 2021, we were the first tobacco company in Brazil to achieve certification by the Brazilian Ministry of Agriculture for 100% of our tobacco volumes. The certification confirms that tobacco is traceable and provides verified records of the high social and environmental standards practiced. The certification included more than 15,000 contracted farmers.

In the U.S., we participate in the industry's Good Agriculture Practice Connections Certification Programme. In 2021, 90% of our contracted farmers achieved this certification.

Working with Agricultural Start-ups through *Leaf Up*

Leaf Up is an open innovation program that identifies start-ups to enhance our existing capabilities and develop new technologies. So far, we've identified seven start-ups with whom we are running proof of concepts on cutting-edge innovations in areas such as longer-term weather forecasting, smart irrigation and intelligence in soil analysis.

One such start-up, Imagem, with whom we are running a proof of concept, is focused on intelligence in soil analysis management. Their technology brings an interactive geospatial visualisation of the soil data, helping in faster decision making. This enables improved recommendations on fertilisers' application, such as nitrogen, which have a direct impact on our CO₂e emissions. Based on the pilot in Brazil, we have uncovered opportunities for soil correction and emissions reduction.



Creating Sustainable Fertiliser from Waste

In Brazil, our green leaf threshing site generates more than 3,000 tonnes of waste each year in the form of tobacco dust.

We partnered with a local environmental organisation to convert this waste into fertiliser, which we call **"Fertileaf."** Certified as an organic fertiliser by the Ministry of Agriculture in 2018, it is used by farmers across the country on crops including soy, rice, fruit and vegetables.

In 2021, more than 2,300 tonnes of Fertileaf were produced from tobacco waste, demonstrating our circular economy principles in action (see more on page 27) and helping indirectly reduce emissions.



Agricultural Excellence via Global Leaf Agronomy Centre

Our Leaf Agronomy Centre in Brazil is responsible for providing technological data-driven and science-based carbon-smart solutions globally. These are then rolled out to our contracted farmers by our expert field technicians. The centre conducts world-class research — from development and testing in the lab to real-world field trials with farmers — often in partnership with respected academic and research institutions.

We are opening a new agronomy centre in Bangladesh to support technologies for Asian growing markets to establish efficient use of water and minimise the impact of climate change on growing yield in the future. Approximately once a month during the crop season, our Leaf Field Technicians

assess, among other areas, adoption of best practices promoted by BAT including curing technologies and sustainable fuels.

This includes agriculture practices like integrated pest management using natural biocontrol agents, crop rotation and diversification.



We are also working with a third party to develop a carbon toolkit featuring more than 30 examples of farming best practices



Protecting Our Forest Ecosystems

To demonstrate our commitment to nature, we have three biodiversity and afforestation goals:

- 1 Zero gross deforestation of primary native forests in our tobacco and paper and pulp supply chain by 2025.
- 2 Net Zero deforestation of managed forests in our tobacco and paper and pulp supply chain by 2025.
- 3 Net Positive impact on forests in our tobacco supply chain by 2025.

There is a direct correlation between climate change and forest loss that can be attributed to agriculture. Deforestation and other forms of natural ecosystem destruction are directly responsible for at least 11% of human GHG emissions globally*. Working with our contracted farmers to develop, advance and implement sustainable agriculture practices — like those mentioned above — can preserve natural capital, enhance rural livelihoods and increase farmers' resilience to climate change. In 2021, we joined Business for Nature's Call to Action, a global coalition uniting forward-thinking organisations to amplify calls for collective action.

Our most significant deforestation risk is the use of unsustainable wood fuel for curing tobacco followed by land clearance to grow tobacco. Therefore, an immediate priority is to ensure that our directly contracted farmers use sustainable wood and are deforestation-free. We have engaged an external consultancy to help us map our directly contracted farmers against global deforestation indicators, including tree cover, forest loss, deforestation hotspots and the forest landscape integrity index. From this exercise, 11% of the farmers were identified as high-risk and are in scope for an action plan review by the end of 2023.

We have programmes in place to prevent and tackle deforestation and promote sustainable wood. For example, we've distributed more than 380 million tree saplings to our directly contracted farmers in countries such as Brazil, Bangladesh and Pakistan over the last 40 years to promote wood self-sufficiency, conservation and restoration of natural lands. BAT Field Technicians monitor wood usage and any

deforestation risk visible on our directly contracted farms, and we request our third-party suppliers to do the same with their farmers. We are committed to have a restoration plan for any contracted farmer with a deforestation incident.

For our paper- and pulp-based product supply chain, we work with suppliers who can demonstrate that material is sourced sustainably, through certification from the Forest Stewardship Council (FSC) or the Programme for the Endorsement of Forest Certification (PEFC). In 2021, 100% of the paper and pulp volumes for primary product packaging and fine papers were certified as sustainably sourced, and 89% of all paper and pulp volumes were certified as sustainably sourced. We aim to reach 100% across both by 2025.

To achieve our Net Positive goal, our leaf operations educate farmers in forest and biodiversity management, distribute tree saplings and help farmers switch to locally available alternative fuels. Our third-party suppliers are expected to carry out similar activities. In 2021, it was reported through our *Thrive* assessments (see page 24) that more than 127,000 people were engaged in such initiatives.



100%

of the paper and pulp volumes for primary product packaging and fine papers were certified as sustainably sourced in 2021

*CDP, WWF, and the UN Food and Agriculture Organization all attribute at least 11% of global greenhouse gas emissions to deforestation.



We conduct Life Cycle Analysis (LCAs) on all developments, identifying opportunities to improve the environmental profile of our products and prioritise R&D efforts

Fostering Circularity to Reduce Our Downstream Emissions

We acknowledge BAT's portfolio transition brings additional challenge to the delivery of our decarbonisation commitments as new categories products have higher carbon footprints. To tackle this challenge, we are investing in product Research and Development (R&D) to develop products that provide reduced-risk*† alternatives to smokers at a lower environmental impact. This means easier to dismantle at end-of-life, with **higher recyclability, and packaging that uses more recycled and recyclable content.**

Our **circular economy strategy** is guided by three core principles:



Simplify

the design of products and packaging to improve recyclability and reduce the use of virgin materials and finite resources.



Maximise

the longevity of our products to improve the experience for our consumers.



Recover

by minimising waste through increased product recovery and recycling.

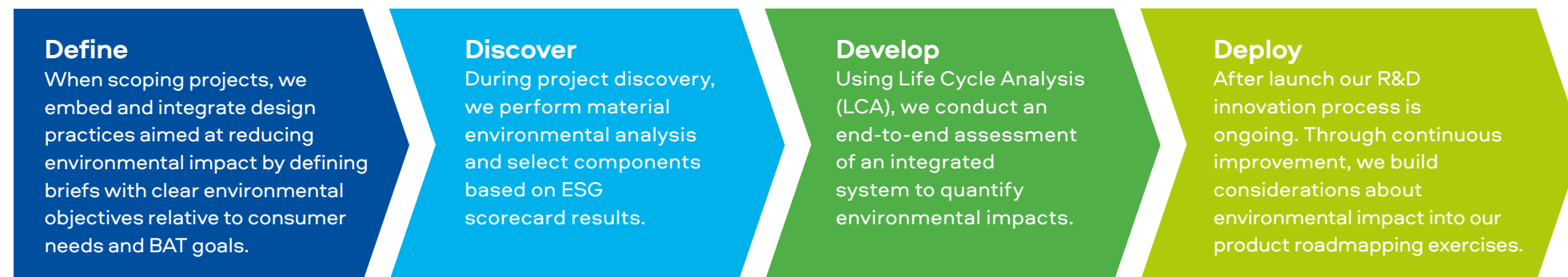
*Based on the weight of evidence and assuming a complete switch from cigarette smoking. These products are not risk free and are addictive.

†Our products as sold in the US, including Vuse, Velo, Grizzly, Kodiak, and Camel Snus, are subject to Food and Drug Administration (FDA) regulation and no reduced-risk claims will be made as to these products without FDA clearance.

Our R&D Process

Environmental factors – such as the use of materials made from recycled content and the environmental impact of product components – are considered at each step of the way in our R&D process, starting at the beginning as we define our project

goals and technical briefs. Frequent checkpoints help to ensure our projects do not result in a significant effect on our overall environmental KPIs.



Define

When scoping projects, we embed and integrate design practices aimed at reducing environmental impact by defining briefs with clear environmental objectives relative to consumer needs and BAT goals.

Discover

During project discovery, we perform material environmental analysis and select components based on ESG scorecard results.

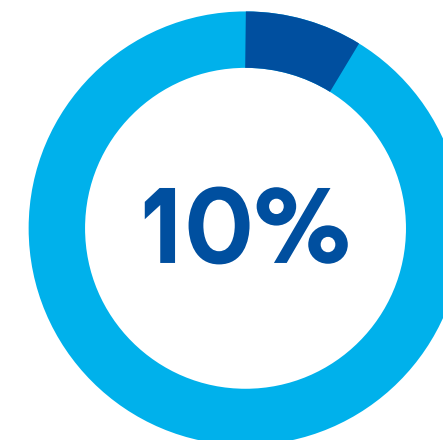
Develop

Using Life Cycle Analysis (LCA), we conduct an end-to-end assessment of an integrated system to quantify environmental impacts.

Deploy

After launch our R&D innovation process is ongoing. Through continuous improvement, we build considerations about environmental impact into our product roadmapping exercises.

Category 11: Use of Sold Products — 10% of overall emissions

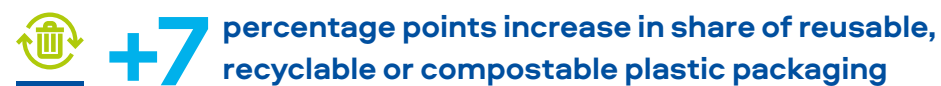


► Increasing the Use of Materials with Lower Environmental Impact

We set clear and ambitious targets to reduce single-use plastic content in our products. Using less virgin material helps reduce waste and save emissions.

Though we only started to track our progress in 2020, we are already making significant inroads across all our products.

In 2021 alone, we achieved:



Our targets include:

- Elimination of unnecessary* single-use plastic packaging by 2025
- 100% reusable, recyclable or compostable plastic packaging by 2025
- 30% average recycled content across all plastic packaging by 2025

*By "unnecessary" we mean any plastic packaging element technically replaceable by non-plastic materials without compromise of product properties (e.g., quality, safety or other regulatory requirements). The classification of materials as unnecessary or necessary and/or as single-use-plastics are defined by our R&D teams. Examples include resealable cigarette pack elements, film used to wrap cigarette packs, closing tapes of shipment boxes applied by BAT factories, film that used to wrap starter kits or plastic trays that used to be used in the packaging of new categories devices.

Our Products

Traditional oral



New categories

- Vapour (our **Vuse** brand)
- Tobacco Heating Products (our **glo** brand)
- Modern oral (our **Velo** brand)



Combustibles

(i.e., cigarette sticks and stick equivalents)





Vuse

Our Vuse Alto/ePod starter kits and pod packs are now plastic film free. We have also removed silicone caps from Vuse ePen pods. **These actions saved approximately 250 tonnes of plastic globally which is equivalent to more than 10 million plastic bottles.***

glo

We also removed the polypropylene device overwrap and replaced plastic trays with a pulp-based alternative for our glo devices and starter kits. We've additionally removed unnecessary plastic from our starter kit by optimising the design to be more compact and removing the separate AC adaptor. **These initiatives together saved over 960 tonnes of materials and more than 14,000 tonnes of CO₂e.†**

Compared to our 2020 Hyper product, we've cut the packaging size of Hyper X2 by half in an aim to reduce packaging materials, freight costs and carbon emissions. These same implementations are being applied to the rest of our portfolio, and we plan to further reduce the size of our packaging with new product launches in 2023.

In our glo consumables, we will shift from an aluminium to a paper inner bundle, to be implemented in the EU by the end of 2022. Other countries will follow later in 2023.

Velo

Following the 2020 launch of our Velo mini products in recyclable packaging, in 2021, we began to extend this change across our full Velo modern oral product range. Made of a single polymer, rather than a combination of materials, the Velo product cans with the recycling symbol are now widely recyclable in all markets where they are sold. This helps to reduce waste and is estimated to **save 1,200 tonnes CO₂e emissions in 2022 alone and reduce waste at landfill.‡**

We recently launched Velo rigid and mini cans in the UK that are composed of **91% recycled content** (in mass balance approach). The source of the recycled materials has been certified by the International Sustainability and Carbon Certification Body.

*Plastic saving was calculated from 2020 global sales volumes and 2021 forecasted sales and the plastic bottles comparison was based on a 22.9g bottle weight, representative weight of 500ml commercially available soft drink bottles (May 2020).

†Reduction in materials use and savings in CO₂e emissions is based on product LCA data provided by an independent third party in relation to glo sales volumes.

‡Estimated CO₂e savings is based on product LCA data provided by independent third party for the new single polymer packaging compared with the original mixed polymer packaging, in relation to estimated sales of Velo in our Europe and North Africa region in 2022.



Modern Oral Innovations

Our innovation hub in Sweden hosts focus groups with consumers to test new flavours, experiment with products and packaging that have lower environmental impact and ultimately gather feedback before moving on to the next phase of our R&D process: a commercial pilot.

In the labs, we have run pilots on bio-based plastics — with a view to replace traditional plastics used in our Velo packaging — as well as reusable cans.



Partnering on Innovation

We are conducting an innovative solution pilot with a start-up to extract the cellulose acetate used in cigarette filters to address processing factory waste and discarded butts.

Cellulose acetate is considered a plastic by the EU Single-Use Plastic Directive. While it does biodegrade, the process does not happen quickly enough to avoid short-term littering problems. We continue to work with our suppliers to explore alternatives that meet a key number of requirements such as consumer acceptance, commercial scalability and environmental impact.

Designing for End-of-Life

End-of-life processes remain an important challenge within our value chain. Therefore, we are increasingly promoting eco-design principles such as increased modularity, higher separability of materials, higher share of recyclable materials and progressive removal of composite materials that make recycling at end-of-life more difficult.

Moreover, as another way to help manage our pods' end-of-life processes and reduce waste to landfill, **we have initiated take-back pilots in our new category markets.**

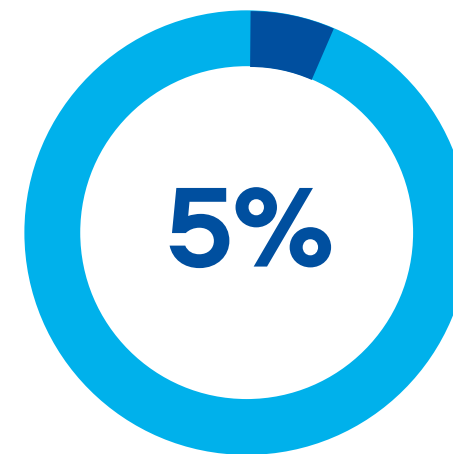
Vuse: First Global Carbon Neutral Vape Brand

Vuse became the first global carbon neutral vape brand* in 2021. A significant portion of Vuse's carbon emissions stem from logistics, which is why we are transitioning from air to sea freight. **Vuse aims to have 80% of international shipments transported by sea by the end of 2022 and is currently on track to meet this goal.**

We also continue to improve in product design and specifications to contribute to further reductions. **We have removed all unnecessary single-use plastic from our Vuse packaging, and we are on track for all remaining plastic to be recyclable by 2025.**

Until we can fully decarbonise Vuse, we offset the rest of the carbon emissions by purchasing high-quality carbon credits to achieve the brand's carbon neutrality.

Category 12: End-of-Life Treatment of Sold Products — 5% of overall emissions



Combustibles

Looking ahead, we continue to explore paper-based recyclable material to replace the plastic label and liner used on some of our combustible products, which represent approximately 80% of our unnecessary single-use plastic packaging.

Across all our product categories, **we have several projects underway exploring the potential replacement of cellulose acetate single-use plastic filters with materials that have lower environmental impact**, as filters represent our largest single source of plastic.

*Carbon neutral device and consumables throughout their lifecycle, including lifetime charging (where applicable) for Vuse Go, Vuse ePod, ePen, eTank mini, Alto based on internal sales forecast for 12 months starting from April 2022, via emissions reduction and offsetting.

Our Product Initiatives

Group Commitments by 2025



100%
plastic packaging:
reusable - recyclable -
compostable



-100%
unnecessary
SUP packaging



30%
average recycled content
in plastic packaging



Vapour



Air to sea
freight migration



Plastic film
packaging removed



Plastic to pulp trays



Devices
take-back scheme



Tobacco Heating Products



Zero plastic
packaging on devices



100% recyclable plastic in
consumables packaging



48% reduction in
packaging weight



Devices
take-back scheme



Modern Oral



Migration to single
polymer can



Inclusion of bio-based
polypropylene in cans



Migration to viscose
fleece pouches



91% recycled content
cans launched in the UK



Recycled content in pack film



Composite materials migration
to paper-based solutions

A BETTER TOMORROW™

Public Policy Engagement

Joining the global
conversation on
climate action

Engaging with Stakeholders

Public Policy Engagement

We work with, consider and respond to the views and concerns of our stakeholders, adapting to emerging risks and striving to meet the expectations placed upon us as a leading consumer goods business. This includes those related to the environment, and specifically, climate.

We seek to be part of the debate that shapes the environment in which we operate, work collaboratively and respond to common challenges. For example, **we have joined the UN Race to Zero**, which supports the aims of the Science Based Targets initiative and **have set 1.5°C-aligned absolute carbon reduction targets.**

We also support wider global environmental initiatives, such as the Business for Nature Call to Action, which in part calls for businesses to implement solutions that value and enhance nature, whilst mitigating and adapting to the impacts of climate change.

We seek to be part of the debate that shapes the environment in which we operate, work collaboratively and respond to common challenges.



Contributing to the UN SDGs

The UN Sustainable Development Goals (SDGs) bring together governments, civil society and the private sector to create a sustainable future. We have classified eight SDGs as either strategic, priority or localised to our business and stakeholders.

SDG 13: Climate Action is considered strategic to BAT, meaning it aligns with our global efforts to combat climate change, extending across all aspects of our business. Our contributions to SDG 13 are detailed throughout this report.



A BETTER TOMORROW™

Appendix



Definitions*

Alignment with 1.5°C pathway (also known as the “latest climate science”):

A global carbon budget is assigned over time based on climate models from the Intergovernmental Panel on Climate Change (IPCC). In general, this means about a 50% reduction in global GHG emissions by 2030 and net zero carbon emissions by 2050. Some industries need to decarbonise more rapidly than others, which is incorporated in SBTi requirements.

Biogenic emissions:

CO₂e emissions from the combustion or biodegradation of biomass.

Carbon pricing:

Carbon pricing is an instrument that captures the external costs of GHG emissions—the costs of emissions for which the public pays for, such as damage to crops, health care costs from heat waves and droughts, and loss of property from flooding and sea level rise—and ties them to their sources through a price, usually in the form of a price on the CO₂e.

Carbon neutral:

Carbon neutrality is the balance between emitting carbon and absorbing carbon emissions from carbon sinks. The term “neutral” accounts for that balance; the GHG released into the atmosphere is offset by an equivalent amount being removed.

Carbon offsets (also known as compensation):

GHG reductions or removals used to compensate for GHG emissions made elsewhere.

Climate positive (or negative):

Reducing more greenhouse gas emissions than a company / organisation's value chain emits. In practice, it goes beyond achieving net zero carbon emissions as the aim is to generate an environmental benefit by removing additional CO₂e from the atmosphere.

Decarbonisation:

The process by which CO₂e emissions associated with electricity, industry and transport are reduced or eliminated.

Emissions or carbon removals:

Carbon dioxide removal (CDR) refers to the process of removing CO₂ from the atmosphere. There are two main types of CDR: either enhancing existing natural processes that remove carbon from the atmosphere (e.g., by increasing its uptake by trees, soil or other carbon sinks) or using chemical processes to, for example, capture CO₂ directly from the ambient air and store it elsewhere (e.g., underground).

Greenhouse gases (GHG):

Greenhouse gases are gases in the atmosphere such as water

vapour, carbon dioxide, methane and nitrous oxide that can absorb infrared radiation, trapping heat in the atmosphere. This greenhouse effect means that emissions of greenhouse gases due to human activity cause global warming.

Nature-based solutions:

These are actions to protect, sustainably manage, and restore natural and modified ecosystems that address societal challenges effectively and adaptively, simultaneously benefiting people and nature.

Net zero:

Typically refers to long-term target (no later than 2050) where human-based (anthropogenic) GHG emissions are balanced by removals in line with a 1.5°C pathway. These targets are also based on climate science and therefore “science-based.” These targets are also referred to as long-term Science-Based Targets.

Neutralisation:

Measures that companies take to remove carbon from the atmosphere and permanently store it to counterbalance the impact of emissions that remain unabated.

Continued ►

*Sources for terms included in this glossary include Gold Standard, International Union for Conservation of Nature, IPCC, SBTi Net Zero Standard, the U.S. Environmental Protection Agency, World Bank and the World Economic Forum. Biogenic emissions: GHG Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard.

Definitions Continued

Residual emissions:

Emissions sources that remain unabated in a specific year of a mitigation scenario. Long-term SBTs are consistent with the level of residual emissions in the year of global or sector net zero in 1.5°C-aligned mitigation pathways with low or no overshoot.

Responsible disposal:

Disposal only when necessary, and then in a manner designed to minimise environmental impacts.

Science-Based Target (SBT):

An emissions reduction target that is in line with the level of decarbonisation required to keep global temperature increase below 1.5°C compared to pre-industrial temperatures. This is typically referenced in the context of the SBTi framework for near-term targets (2030 timeframe).

Science-Based Targets initiative (SBTi):

A collaboration between CDP, the United Nations Global Compact, World Resources Institute and the World Wide Fund for Nature. The SBTi defines and promotes best practices in science-based target setting.

Scope 1 emissions:

All direct emissions within the operational control of an organisation.

Scope 2 emissions:

Indirect emissions generated from purchased electricity, heat, steam or cooling.

Scope 3 emissions:

All other indirect emissions from sources such as business travel, waste management and the value chain.

Shadow carbon price:

An internal or shadow price on carbon creates a theoretical or assumed cost per tonne of carbon emissions. It is used to better understand the potential impact of external carbon pricing on the profitability of a project, a new business model or an investment.

The Paris Agreement:

The Paris Agreement is a legally binding international treaty on climate change, adopted at COP 21 in December 2015. Its goal is to limit global warming to well below 2.0°C, preferably to 1.5°C, compared to pre-industrial levels. By limiting the planet's warming to 1.5°C by 2100, the hope is to stave off severe climate disruptions that could exacerbate hunger, conflict and drought worldwide. To achieve this goal, countries need to be climate neutral by 2050.



Further information

About This Report

This is a report by British American Tobacco p.l.c.; associate companies are excluded. References to 'British American Tobacco', 'BAT', 'we', 'us' and 'our' when denoting opinion refer to British American Tobacco p.l.c. (the Company, and together with its subsidiaries, the 'Group'), and when denoting business activity refer to Group operating companies, collectively or individually as the case may be.

This is our Low-Carbon Transition Plan published in September 2022. If you have any questions arising from this Report please email use at sustainability@bat.com.

Forward-looking Statements and Other Matters

This report contains certain forward-looking statements, including "forward-looking" statements made within the meaning of the U.S. Private Securities Litigation Reform Act of 1995.

In particular, these forward-looking statements include, among other statements, statements regarding the British American Tobacco Group's (the "Group") future financial performance and business objectives and targets including with respect to sustainability and other environmental, social and governance matters.

These statements are often, but not always, made through the use of words or phrases such as "believe", "anticipate", "could", "may", "would", "should", "intend", "plan", "potential", "predict", "will", "expect", "estimate", "project", "positioned", "strategy", "outlook", "target" and similar expressions. These include statements regarding our intentions, beliefs or current expectations concerning, amongst other things, our results of operations, financial condition, liquidity, prospects, growth, strategies and the economic and business circumstances occurring from time to time in the countries and markets in which the Group operates.

All such forward-looking statements involve estimates and assumptions that are subject to risks, uncertainties and other factors. It is believed that the expectations reflected in this report are reasonable, but they may be affected by a wide range of variables that could cause actual results and performance to differ materially from those currently anticipated. Among the key factors that could cause actual results to differ materially from those projected in the forward-looking statements are uncertainties related to the following: the impact of competition from illicit trade; the impact of adverse domestic or international legislation and regulation; the inability to develop, commercialise and deliver the Group's New Categories strategy; adverse litigation and dispute outcomes and the effect of such outcomes on the Group's financial condition; the impact of significant increases or structural changes in tobacco, nicotine and New Categories related taxes; translational and transactional foreign exchange rate exposure; changes or differences in domestic or international economic or political conditions; the ability to maintain credit ratings and to fund the business under the current capital structure; the impact of serious injury, illness or death in the workplace; adverse decisions by domestic or international regulatory bodies; and changes in the market position, businesses, financial condition, results of operations or prospects of the Group.

A review of the reasons why actual results and developments may differ materially from the expectations disclosed or implied within forward-looking statements can be found by referring to the information contained under the headings "Cautionary statement", "Group Principal Risks" and "Group Risk Factors" in the 2021 Annual Report and Form 20-F of British American Tobacco p.l.c. ("BAT"). Additional information concerning these and other factors can be found in BAT's filings with the U.S. Securities and Exchange Commission ("SEC"), including the Annual Report on Form 20-F and Current Reports on Form 6-K, which may be obtained free of charge at the SEC's website, <http://www.sec.gov> and BAT's Annual Reports, which may be obtained free of charge from the BAT website www.bat.com.

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Our vapour product Vuse (including Alto, Solo, Ciro and Vibe), and certain products including Velo, Grizzly, Kodiak and Camel Snus, which are sold in the U.S., are subject to FDA regulation and no reduced-risk claims will be made as to these products without agency clearance.

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